TRINIDAD CEMENT LIMITED

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

CONSOLIDATED STATEMENT OF INCOME

TT $'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2018	2017	2018	2017	2017
Revenue	**415,562**	**427,349**	**1,300,352**	**1,277,686**	**1,712,569**
Earnings before interest, tax, depreciation, gain or loss on disposal of property, plant and equipment and restructuring costs	**77,293**	**118,560**	**288,234**	**321,430**	**312,998**
Depreciation	(31,513)	(32,849)	(92,431)	(94,190)	(127,969)
(Loss)/gain on disposal of property, plant and equipment	-	(2)	9	60	(325)
Stockholding and inventory restructuring costs (Note 5)	(529)	2,315	3,113	2,315	(81,352)
Impairment - property plant and equipment	-	-	-	-	(93,418)
Manpower restructuring costs (Note 6)	(14,069)	(13,367)	(28,581)	(21,175)	(59,023)
Integration restructuring expenses (Note 7)	(3,930)	(5,274)	(8,103)	(5,389)	-
Operating profit	**27,252**	**69,383**	**162,241**	**203,051**	**(49,089)**
Finance costs - net	(39,798)	(13,621)	(84,948)	(102,914)	(123,137)
(Loss)/profit before taxation	**(12,546)**	**55,762**	**77,293**	**100,137**	**(172,226)**
Taxation charge	(7,520)	(13,263)	(48,197)	(39,404)	(82,916)
(Loss)/profit for the period	**(20,066)**	**42,499**	**29,096**	**60,733**	**(255,142)**
Attributable to:					
Owners of the Company	(24,532)	31,827	11,953	36,157	(266,165)
Non-controlling interests	4,466	10,672	17,143	24,576	11,023
	(20,066)	**42,499**	**29,096**	**60,733**	**(255,142)**
Basic and diluted (loss)/earnings per share - cents (Note 3)	**(6.6)**	**8.5**	**2.3**	**9.7**	**10.0**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TT$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2018	2017	2018	2017	2017
(Loss)/profit for the period	**(20,066)**	**42,499**	**29,096**	**60,733**	**(255,142)**
Items that are or maybe reclassified to profit or loss:					
Exchange differences on translation of foreign operations	(17,533)	(7,649)	(43,559)	(4,652)	14,834
Change in fair value of cashflow hedge	(1,698)	1,989	419	3,260	3,976
	(19,231)	**(5,660)**	**(43,140)**	**(1,392)**	**18,810**
Items that will not be reclassified to profit or loss:					
Remeasurement gains on pension plans and other post-retirement benefits	-	-	-	-	21,158
Income tax effect	-	-	-	-	(6,678)
	-	**-**	**-**	**-**	**14,480**
Other comprehensive (loss)/income for the period net of tax	**(19,231)**	**(5,660)**	**(43,140)**	**(1,392)**	**33,290**
Total comprehensive (loss)/income for the period net of tax	**(39,297)**	**36,839**	**(14,044)**	**59,341**	**(221,852)**
Attributable to:					
Owners of the Company	(38,867)	28,794	(21,150)	36,262	(238,333)
Non-controlling interests	(430)	8,045	7,106	23,079	16,481
	(39,297)	**36,839**	**(14,044)**	**59,341**	**(221,852)**

DIRECTORS' STATEMENT

Health and Safety continued to be a strategic priority during the quarter. Several initiatives aimed at further inculcating a strong safety culture were deployed under the "Zero for Life" programme. These included major investments in the upgrade of plant facilities, improvements in the working conditions and continuous training. The accomplishment of two consecutive years with no "Lost Time Injuries" (LTIs) at Arawak Cement Company Limited (ACCL) and TCL Ponsa Manufacturing Limited's proud achievement of 11 years without an LTI are a demonstration of the Group's commitment in this significant area.

TCL Group recorded consolidated revenue of $416 million, a decline of 3% compared to the prior year. However, over the last nine months, the September 2018 year-to-date revenue attained was $1.3 billion, representing overall growth of 2%. Declining dispatch of cement and concrete in Barbados and Trinidad and Tobago continued. However, in spite of these headwinds, the Group achieved results reflecting growth, due to strong sales in Jamaica and Guyana as well as higher export volumes.

Earnings before interest, tax, depreciation, gain or loss on disposal of property, plant and equipment and restructuring costs for Q3 2018 was $77 million, 35% lower than 2017. This decrease in profitability was a result of scheduled annual maintenance of main equipment at ACCL and Trinidad Cement Limited (TCL), performed during July and September 2018 respectively. These upgrades were necessary to increase efficiency and secure future benefits.

During the quarter, the Group's performance was impacted by an increase in finance costs which was $26 million higher than Q3 2017. Notwithstanding this, the year-to-date 2018 finance costs is 17% lower than the prior year. This increase in finance costs resulted from foreign exchange losses due to a weakened Jamaican dollar during the quarter, which affected the US-denominated loan balance of our Jamaican subsidiary, Caribbean Cement Company Limited. This loan is financing payments to TCL for the purchase of Kiln 5 and Mill 5.

Combined Group financial results for the third quarter of 2018 shows a loss of $20 million, with a year-to-date profit of $29 million for the nine months ending September 2018. During this quarter, the TCL Group generated $5 million of cash from operations after final settlement of the retroactive pay commitment to our workforce in Trinidad. A further $32 million was invested in capital projects across the Group during the quarter.

Our strategic direction and focus on quality were also successful, with TCL's Class G Well Cement receiving continued certification under the American Petroleum Institute (API). In Jamaica, we have received approval from the National Environment and Planning Agency (NEPA) to develop a new limestone quarry and extend our existing gypsum quarry. This new project will provide the company with more than 30 years of raw materials, allowing it to satisfy the expected market demand. Also noteworthy is that effective August 2018, TCL became the sole owner of TCL Guyana Inc., which reiterates the Group's commitment to Guyana and its intention to continue growing the business and by extension, contributing to the socio economic development of that country.

Our Outlook:
We anticipate that the transformation of the TCL Group is a long-term journey, as we continue to embrace global standards and best practices into our operational and financial model. We are committed to strengthening all aspects of the Group's performance, by reducing debt, through effective cost management, cash flow generation and asset management efficiencies. We are optimistic about the export potential, as we identify new markets and deepen our presence in existing markets. The TCL Group has engaged in initiatives that will work as catalysts to improve the value offered to all our customers. We remain confident in positioning the Group to continue to deliver sustainable and profitable growth to our shareholders.

Wilfred Espinet
Group Chairman
October 23, 2018

Jose Luis Seijo Gonzalez
Director
October 23, 2018

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TT$'000	PARENT			NON-CONTROLLING INTERESTS		
	UNAUDITED Jan to Sep		AUDITED Jan to Dec	UNAUDITED Jan to Sep		AUDITED Jan to Dec
	2018	2017	2017	2018	2017	2017
Balance at beginning of period	**761,198**	**1,017,127**	**1,017,127**	**(8,365)**	**(221)**	**(221)**
Recognition of opening carrying amount differences upon initial application of IFRS 9 (Note 8)	(6,971)	-	-	(218)	-	-
	754,227	1,017,127	1,017,127	(8,583)	(221)	(221)
Other comprehensive (loss)/income	(33,103)	105	27,832	(10,037)	(1,497)	5,458
Profit after taxation	11,953	36,157	(266,165)	17,143	24,576	11,023
Total comprehensive Income	(21,150)	36,262	(238,333)	7,106	23,079	16,481
Share-based allocations	-	630	630	-	-	-
Dividends	-	(7,493)	(7,493)	-	(26)	(26)
Rights issue proceeds	-	-	-	-	-	-
Acquisition of NCI without change of control	2,757	(11,041)	(10,733)	(9,535)	(24,603)	(24,599)
Balance at end of period	**735,834**	**1,035,485**	**761,198**	**(11,012)**	**(1,771)**	**(8,365)**

SEGMENT INFORMATION

TT $'000	CEMENT	CONCRETE	PACKAGING	CONSOLIDATION ADJUSTMENTS	TOTAL
UNAUDITED NINE MONTHS JAN TO SEP 2018					
Revenue					
Total	1,396,722	65,150	54,756	-	1,516,628
Intersegment	(168,132)	(749)	(47,395)	-	(216,276)
Third party	1,228,590	64,401	7,361	-	1,300,352
Profit/(loss) before tax	159,593	(13,861)	(1,333)	(67,106)	77,293
Depreciation and impairment	90,503	4,291	1,971	(4,334)	92,431
Segment assets	2,687,955	100,393	89,740	(414,757)	2,463,331
Segment liabilities	2,465,357	61,980	46,394	(835,222)	1,738,509
Capital expenditure	83,446	3,982	1,044	-	88,472
UNAUDITED NINE MONTHS JAN TO SEP 2017					
Revenue					
Total	1,393,885	101,371	52,614	-	1,547,870
Intersegment	(229,003)	(2,017)	(39,164)	-	(270,184)
Third Party	1,164,882	99,354	13,450	-	1,277,686
Profit/(loss) before tax	93,577	8,648	(2,883)	795	100,137
Depreciation and impairment	90,150	3,984	1,730	(1,674)	94,190
Segment assets	3,037,385	128,493	105,434	(485,862)	2,785,450
Segment liabilities	2,193,088	41,256	46,044	(528,652)	1,751,736
Capital expenditure	116,758	3,922	1,272	-	121,952
AUDITED YEAR JAN TO DEC 2017					
Revenue					
Total	1,870,226	120,541	69,232	-	2,059,999
Intersegment	(284,603)	-	(62,827)	-	(347,430)
Third party	1,585,623	120,541	6,405	-	1,712,569
Profit/(loss) before tax	(450,392)	(27,324)	(20,181)	325,671	(172,226)
Depreciation and impairment	123,952	5,239	2,333	(3,555)	127,969
Segment assets	3,082,702	134,642	80,971	(634,636)	2,663,679
Segment liabilities	2,684,067	60,414	31,268	(864,903)	1,910,846
Capital expenditure	203,724	8,181	3,009	-	214,914

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TT$'000	UNAUDITED		AUDITED
	30.09.18	30.09.17	31.12.17
ASSETS			
Non-current assets			
Property, plant and equipment	1,710,118	1,832,331	1,811,779
Employee benefits	29,314	28,945	34,392
Trade and other receivables	3,836	7,246	114
Deferred tax assets	235,498	307,521	332,655
	1,978,766	2,176,043	2,178,940
Current assets			
Inventories	223,154	343,979	205,374
Trade and other receivables	142,125	135,089	160,539
Cash and cash equivalents	119,286	130,339	118,826
	484,565	609,407	484,739
Total assets	**2,463,331**	**2,785,450**	**2,663,679**
Equity and liabilities			
Equity			
Stated capital	827,732	827,732	827,732
Unallocated ESOP shares	(20,019)	(20,020)	(20,019)
Reserves	(277,722)	(254,200)	(240,405)
Retained earnings	205,843	481,973	193,890
Equity attributable to owners of the Company	**735,834**	**1,035,485**	**761,198**
Non-controlling interests	(11,012)	(1,771)	(8,365)
Total equity	**724,822**	**1,033,714**	**752,833**
Non-current liabilities			
Borrowings	898,868	675,451	669,137
Employee benefits	10,644	16,054	20,501
Other post-retirement benefits	116,772	106,222	103,359
Deferred tax liabilities	263,970	257,225	327,956
Trade and other payables	-	-	87
	1,290,254	1,054,952	1,121,040
Current liabilities			
Trade and other payables	430,255	451,784	545,835
Borrowings	18,000	245,000	243,971
	448,255	696,784	789,806
Total equity and liabilities	**2,463,331**	**2,785,450**	**2,663,679**

CONSOLIDATED STATEMENT OF CASH FLOWS

TT$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2018	2017	2018	2017	2017
Cash flows from operating activities					
(Loss)/profit before taxation	**(12,546)**	**55,762**	**77,293**	**100,137**	**(172,226)**
Adjustments to reconcile profit before taxation to net cash generated by operating activities:					
Depreciation	31,513	32,849	92,431	94,190	127,969
Impairment charge - property, plant and equipment	-	-	-	-	93,418
Stockholding and inventory restructuring costs (Note 5)	529	(2,315)	(3,113)	(2,315)	81,352
Finance cost - net	39,798	13,621	84,948	102,914	123,137
ESOP share allocation and sale of shares net of dividends	-	630	-	630	630
Pension and other post-retirement expenses	16,915	13,440	26,471	15,665	41,515
Loss/(gain) on disposal of property, plant and equipment	-	2	(9)	(60)	325
	76,209	113,989	278,021	311,161	296,120
(Increase)/decrease in inventories	(21,577)	(19,026)	(14,667)	20,856	77,522
Decrease/(increase) in receivables and prepayments	2,692	9,963	14,692	15,573	(24,043)
(Decrease)/increase in payables and accruals	(52,389)	(3,812)	(119,209)	(48,391)	73,011
Cash generated by operations	4,935	101,114	158,837	299,199	422,610
Pension contributions paid	(8,996)	(2,232)	(15,008)	(7,086)	(9,822)
Post-retirement benefits paid	(1,010)	(1,533)	(2,829)	(4,578)	(3,140)
Taxation paid	(2,177)	(16,253)	(14,538)	(33,909)	(42,059)
Net interest paid	(4,277)	(17,775)	(14,802)	(45,133)	(72,104)
Net cash (used in)/generated by operating activities	**(11,525)**	**63,321**	**111,660**	**208,493**	**295,485**
Investing activities					
Additions to property, plant and equipment	(32,455)	(24,074)	(88,472)	(121,952)	(214,914)
Proceeds from disposal of property, plant and equipment	-	-	-	-	886
Net cash used in investing activities	**(32,455)**	**(24,074)**	**(88,472)**	**(121,952)**	**(214,028)**
Financing activities					
Repayment of borrowings	(33,778)	(33,777)	(151,048)	(1,129,168)	(1,135,922)
Proceeds from borrowings	121,674	-	141,674	1,029,155	1,029,155
Dividends paid	-	(7,518)	-	(7,518)	(7,519)
Acquisition of non-controlling interest	(6,778)	(336)	(6,778)	(35,642)	(35,332)
Net cash from financing activities	**81,118**	**(41,631)**	**(16,152)**	**(143,173)**	**(149,618)**
Net increase/(decrease) in cash and cash equivalents	37,138	(2,384)	7,036	(56,632)	(68,161)
Net foreign exchange differences	(2,703)	(38)	(6,576)	425	441
Net cash – beginning of period	84,851	132,761	118,826	186,546	186,546
Net cash - end of period	**119,286**	**130,339**	**119,286**	**130,339**	**118,826**
Represented by:					
Cash at bank and on hand	**119,286**	**130,339**	**119,286**	**130,339**	**118,826**

NOTES:

1. Basis of Preparation
These condensed consolidated financial statements are prepared in accordance with established criteria developed by management and discloses the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income, summary consolidated statement of changes in equity and consolidated statement of cash flows.

2. Accounting Policies
These condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the December 31st, 2017 audited financial statements consistently applied from period to period. The Group has adopted all the new and revised accounting standards that are mandatory for annual accounting periods on or after January 01st, 2018 and which are relevant to the Group's operations.

3. Earnings Per Share
Earnings per share (EPS) is calculated by dividing the net profit attributable to shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares in issue for the period has been determined by deducting from the total number of issued shares of 374.648M ,the weighted average of 2.845M (2017: 2.988M) shares that were held as unallocated shares by our ESOP.

4. Segment Information
Management's principal reporting and decision making are by product and accordingly, the segment information is so presented.

5. Stockholding and Restructuring Costs
A review of inventory quantities on hand was undertaken during 2017. In accordance with IAS 2: "Inventories," management has recorded an expense of $81 million in 2017 in respect of overstocked items. This expense has been accounted for as a change in an accounting estimate consistent with IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors" resulting from new developments.

6. Manpower Restructuring Costs
Manpower restructuring costs mainly comprise severance costs incurred during implementation of restructuring programmes. The objective of the restructuring programmes is to improve cost efficiency.

7. Integration Restructuring Expenses
Integration restucturing costs comprise the expenses incurred to allign the operations and integrate the processes with the ultimate parent company

8. Initial Application of IFRS 9 Financial Instruments
The TCL Group has applied IFRS 9 Financial Instruments and has not restated prior periods as allowed by the Standard. The carrying amounts of trade receivables at the beginning of the year were recomputed and recorded using the expected credit loss model. The differences recorded upon initial application of the expected credit loss model have been recognised in opening retained earnings and non-controlling interest.